



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

INCOME TAX N6

23 November 2023

This marking guideline consists of 7 pages.

SECTION A**QUESTION 1**

- 1.1 False✓
Employers need to file an *EMP201* every month for employees' taxes withheld.✓
- 1.2 True✓✓
- 1.3 False✓
Mr *Tito Mboweni* was minister of finance when this paper was set.✓
- 1.4 True✓✓
- 1.5 False✓
These goods are *exempt* for VAT purposes, not zero-rated.✓
- 1.6 True✓✓
- 1.7 False✓
20% on the first 30 *million* and then 25% if in excess of 30 million.✓
- 1.8 False✓
The 10% allowance *relates to designs*.
OR
No allowance is granted after 29 October 1999 with regard to *trademarks*.✓
- 1.9 True✓✓
- 1.10 True✓✓

(10 × 2) [20]

TOTAL SECTION A: 20

SECTION B

QUESTION 2: UNATHI LEKOTA

DETAILS				
Salary: Permanent employment			150 000	✓
Commission: Old Mutual			60 000	✓
Taxable portion of travel allowance			R NIL	
Allowance received ($R5\ 000 \times 6$ months)		30 000		✓
Less: Allowable deduction		(30 000)		✓✓
Fixed cost: $\frac{80\ 539 \times 6}{18\ 000 \times 12} = 2,237194 \times 100$ cents	223,72			✓✓✓
Fuel	128,30			✓
Repairs	51,60			✓
Total cost per kilometre in cents	403,62			✓
Total business km: $(18\ 000 - 6\ 000) = 12\ 000$ km				
Cost for business travel: $12\ 000 \text{ km} \times 403,62 \div 100$	48 434			✓✓
Limited to actual allowance received				
Pension annuity			42 000	✓
Old-age pension			12 000	✓
RENTAL INCOME			32 200	☑
Rent received $(60\ 500 \div 11 \times 12)$ <i>accrued to</i>		66 000		
Less: RENTAL EXPENSES		(33 800)		
Rates and taxes	(6 500)			✓
Agent's collection commission	(12 000)			✓
Travel expenses to supervise repairs (<i>private</i>)	R NIL			✓✓
Garden services	(6 000)			✓
Light bulbs	(500)			✓
Bond payments: Interest portion $22\ 000 \times 40\%$	(8 800)			✓✓
INCOME			296 200	☑
Less: DEDUCTIONS				
Tax practitioner's fees			R NIL	✓✓
Retirement annuity fund contributions:			(8 500)	✓
Limited to the lower of:				
R350 000				✓
OR				
$27,5\% \times R296\ 200 = 81\ 455$				☑
TOTAL			287 700	
Donations: Limited to $10\% \times R287\ 700$			(20 000)	☑
Drakenstein Primary School 8 000				✓
University of Cape Town 12 000				✓
Grandchild's pre-school R NIL				✓
TAXABLE INCOME			267 700	
Taxation according to the tables:				
$[R37\ 062 + 26\% (R267\ 700 - R205\ 900)]$			53 130	☑
Less: Medical tax credits ($R319 \times 12$)			(3 828)	✓✓

Less: Additional medical tax credits <i>7,5% × R287 700 = 21 578 which is greater than R18 000 medical aid contributions</i>			R NIL	✓
Less: Primary rebate			(14 958)	✓
Less: PAYE			(26 844)	✓
LUMP SUM TAX:			R NIL	✓✓
Pension lump sum	400 000			✓
Accumulated leave pay	75 000			✓
Total	475 000			
Taxation according to the lump sum tables: (0 – R500 000 @ 0%)				
TAXATION PAYABLE TO SARS			7 500	✓

[45]

QUESTION 3: CHOCOLATE AND CHILLI (SMALL BUSINESS CORPORATION)

DETAILS	SBC INC/(EXP)	CHOCO- LATE	CHILLI	
Sales: Cash	875 000			✓
Sales: Credit	625 000			✓
Finance charges	250 000			✓✓
Discount received	18 000			✓
Bad debts recovered: Trading debts written off	29 000			✓
Bad debts recovered: Loan to Chocolate's son, Simba	R NIL			✓
Deposits received	R NIL			✓
VAT collected	R NIL			✓
EXPENSES				
Entertainment	(4 500)			✓
Goods to primary school	(3 500)			✓
Christmas gifts to regular clients	(7 500)			✓
Legal cost in drawing up a new lease contract	(4 750)			✓
Collection costs on trade debts handed over	(2 000)			✓
Collection costs to recover loan from Simba	R NIL			✓
Bad debts: Trade and other receivables	(8 000)			✓
Bad debts: Chilli's wife	R NIL			✓
Bank charges: Management fees	(6 000)			✓
Bank charges: Interest on overdraft facility p.tax	R NIL			✓
Salary: Chocolate	(260 000)	260 000		✓
Salary: Chilli	(240 000)		240 000	✓
Wages: Administrative staff	(180 000)			✓
Wages: Workshop staff	(125 000)			✓
Insurance premiums paid on life of Chocolate	(13 000)	13 000		✓
Pension fund contributions paid in respect of staff	(24 000)			✓
Provision for staff bonuses	R NIL			✓
Annuity paid to dependants	(15 000)			✓
Rent paid (55 500 – 10 000)	(45 000)			✓✓
Purchases	(165 000)			✓
Opening stock	(280 000)			✓

Import duty (15 000 + 5 000)	(20 000)			✓✓
Closing stock	35 000			✓
Telephone	(38 750)			✓
Electricity (32 800 + 2 200)	(35 000)			✓✓
Stationery and courier fees	(5 875)			✓
Repairs to roof of shop	(2 500)			✓
Painting of shop	(7 500)			✓
General repairs	(1 000)			✓
Paving the area in front of shop (Capital)	R NIL			✓
Replace floor tiles (Capital)	R NIL			✓
Provision for bad debts: 2020 R10 000 @ 25%	2 500			✓✓
Provision for bad debts: 2021 R15 000 @ 25%	(3 750)			✓✓
Delivery van (SBC)				
W&T: R150 000 @ 30%	(45 000)			✓✓
Furniture (SBC)				
W&T: (R97 750 × 100 ÷ 115) @ 20%	(17 000)			✓✓✓
Machinery used in a process of manufacturing (SBC)				
W&T: (R74 750 × 100 ÷ 115) @ 100%	(65 000)			✓✓
Other machinery (SBC)				
W&T: R30 000 @ 50%	(15 000)			✓✓
Assessed loss brought forward from 2020	(90 000)			✓
TOTAL INCOME	104 875			
Donation: Limited to 10% × R104 875 = 10 488	(4 875)			✓✓
Taxable income	100 000			
Taxation according to the tables: [7% × (R100 000 – R79 000)]	1 470			☒

[60]

QUESTION 4

DETAILS	Farming inc/exp	Capital development expenses	JC le Roux	
INCOME				
Sale of fresh produce	1 200 000			✓
Sale of river sand to the local community (Once-off)			6 000	✓✓
Renting out a harvester to his neighbour farmer			18 000	✓✓
Subsidies received to build a dam	950 000			✓
Interest received on 32-day notice account			25 000	✓
Less: Exemption <65 years			(23 800)	✓
Sales from fruit stall along the N1	73 000			✓
Loan from bank to buy the farmhouse (capital in nature)	R NIL			✓
PAYMENTS				
Building of a dam		(900 000)		✓
Houses for farm workers (Low-cost housing sec 13sex) W&T: (7 × R250 000) @ 10%	(175 000)			✓✓
Eradication of noxious plants	(420 000)			✓✓
Prevention of soil erosion	(500 000)			✓✓
Purchases of seeds	(150 000)			✓
Tractor bought in 2019 W&T: R400 000 @ 20%	(80 000)			✓✓
Rations for workers	R NIL			✓✓
Produce used for private consumption	8 000			✓✓
Groceries bought for farm workers	(77 000)			✓
Wages: Farm workers	(294 000)			✓
Wages: To build a dam		(90 000)		✓✓
Medical contributions for farm workers	(8 500)			✓
New plough bought 1 September 2020 W&T: R110 000 @ 50%	(55 000)			✓✓
Opening stock: Barns	(20 000)			✓
Opening stock: On the land	R NIL			✓
Closing stock: Barns	1 500 000			✓
Closing stock: On the land	R NIL			✓
Interest paid on loan to buy seeds	(19 000)			✓
Road built from the highway to the farmhouse		R NIL		✓✓
Transfer to private account			R NIL	✓✓

TOTAL INCOME	1 932 500		25 200	
TOTAL CAPITAL DEVELOPMENT EXPENSES		(990 000)		
CDE UTILISED AGAINST FARMING INCOME	(990 000)	990 000		☒
CDE transferred to 2022		R NIL		☒
Farming income for 2021	942 500			
Transferred to farmer JC	(942 500)		942 500	☒
INCOME	R NIL		967 700	☒
Less: Donations not allowed – no Sec18A receipt			R NIL	☒
TAXABLE INCOME			967 700	
Taxation as per the tables [218 139 + 41% (967 700 – 744 800)]			309 528	☒
Less: Primary rebate			(14 958)	☒
Less: PAYE			(194 570)	☒
Taxation payable to SARS			100 000	☒

[50]

QUESTION 5**LANA DU PLESSIS**

5.1	First provisional payment: 31/08/2020✓✓ IRP6/01✓	RAND	
	Basic amount	488 000	☒
	Tax per the tables [R105 429 + 36% (488 000 – 445 100)]	120 873	☒
	Less: Primary rebate (14 958) ✓ Secondary rebate (8 199) ✓ (OR 2 marks for 23 157)	(23 157)	
	Taxation for the whole year	97 716	☒
	× 6 ÷ 12 OR divide by 2 (Candidate instructed to round to the nearest RAND)	48 858	☒
	Less: PAYE (8 000 × 6)	(48 000)	☒
	FIRST PAYMENT	858	☒

(12)

5.2	Second provisional payment: 28/02/2021✓✓ IRP6/02✓		
	Basic amount	500 000	☒
	Tax per the tables [R105 429 + 36% (500 000 – 445 100)]	125 193	☒
	Less: Primary rebate (14 958) ✓ Secondary rebate (8 199) ✓ (OR 2 marks for 23 157)	(23 157)	
	Taxation for the whole year	102 036	☒
	Less: PAYE (8 000 × 12)	(96 000)	☒
	Less: First payment	(858)	☒
	SECOND PAYMENT	5 178	☒

(13)

[25]

TOTAL SECTION B: 180
GRAND TOTAL: 200